amount of Rs 5 lakhs in the Distress Relief Fund. The capital schemes would absorb the entire amount and funds to the extent of Rs 45·85 lakhs should have to be drawn upon from these balances. To this should be added the net result of the operation of the so-called Debt and Deposit head transactions which would yield an addition of Rs ·02 of a lakh. When all these factors are taken into account the net position will leave a closing balance of Rs 66·14 lakhs *i. e.* a balance more or less equal to the balance with which we actually started the current year.

The question of ways and means apart from the provision required for the day to day transactions for which we have ample bank balances has not assumed any importance this year in view of the decision of Government not to raise a loan. The balances at the end of the year will be sufficient for re-paying the 5 per cent. Loan of Rs 14·75 lakhs due on 1st Chingom and to give 1117 a start.

Conclusion.

92. I have now almost finished. I have attempted to give the House as faithful and accurate a picture of the finances of the country as I can. In dealing with budget estimates, Sir M. Visweswarayya in his treatise on "Planned Economy for India" has observed: "A general indication whether or not the finances of a country are satisfactory is usually supplied by a balanced Government budget and maintenance normally of a yearly trade balance in relation to foreign imports and exports." I have shown the House that our Budget is well balanced, that our revenues are not entirely static, that our resources especially in our commercial enterprises have vast financial possibilities, that burden of taxation is light and that it is equitably distributed and that the State, although it is second to none in the preservation and enforcement of law and order, is equally second to none in the interest it evinces in the poor and the distressed, the backward and the helpless. I have also recounted the work the State has been doing in the cause of education and medical relief, in the rural uplift and the development of cottage industries and all other nation building departments. The members are also aware that our export trade in normal times is nearly 10 crores and about 1/3 greater than our import trade and that we have always the balance of trade in our favour and that when normal conditions are restored, with her abundant natural resources brought into commission with the help of cheap power available and backed by the lessons learned during the interim period and with a master mind at its head to guide and control, the growth of trade is undoubted. Elsewhere in the detailed budget will be found a balance

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[Mr. S. Sundararajan.]

sheet of the assets and liabilities of the State which will show how carefully it has been husbanding its resources, how thoughtful it has been of the future and funded its resources for meeting distress and difficulties of all possible variety. Her debt position is an eloquent tribute to her credit-worthiness. On the whole the State has been holding fast to well recognised principles of public finance and has boldly faced difficulties whenever they arose. It has long outlived the stage of isolation and is now taking its rightful place with the rest of India. Let me therefore conclude with what an eminent Indian publicist has stated about this country.

"Educationally, the State is second to none in India; economically, it is exploiting its bountiful natural resources with the aid of the latest scientific methods; it has socialised its transport system; it has removed the economic disabilities of the backward classes by raising their social status; it has an administration based on the autonomous pattern of the provinces; it has a legislature with powers to vote and discuss its public and economic policy; and more important than these, it has at its head a Sovereign whose sole preoccupation is the progressive welfare of his subjects who is assisted by a statesman whose breadth of vision and capacity for service is universally recognised. There is nothing that the State of Travancore could not achieve under such inspiring circumstances."

MR. J. E. A. PEREIRA (*Member Sri Mulam Assembly Commerce and Industry South*): Sir, with the permission of the Chair, I may point out one circumstance in this connection. Yesterday's 'Madras Mail' contains the forecast of the Budget of the Travancore Government for the year 1116 M. E. I wish to submit that it is the privilege *only* of the members of the two Houses to be given the Budget first and that the newspapers have the right to be given copies of the Budget later.

PRESIDENT: Officially, the first intimation that is to be given to the public is by means of the Budget statement. But forecasts of the Budgets are published all over the world in advance. It will interest the members to know that the forecast of the British Budget is published before its presentation in the Parliament. The American Budget in its main features is generally known to the public months before actual presentation. The point is that the public should have some idea of what is likely to be in store for them—either good or bad. Of course it must be recollected that these forecasts may not always turn out to be correct and may suffer last minute changes. These forecasts have often a stabilising effect.

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Your Highness, Mr. Resident, and Fellow-Members of the Legislature,

Under the Rules it is my privilege as President to make a statement with regard to the Budget presented by the Financial Secretary and in conformity with precedents, I now proceed to fulfil my task I would start by complimenting genuinely and with no reservations the Financial Secretary on the lucidity and the comprehensiveness of the statement made by him and on the helpful clarity of his speech. It is not often that such a clear statement of the position and the programme of the State is made available, but we find that the Financial Secretary who is both experienced and talented has made it possible for the figures to speak, and to speak in a lively fashion. I think a tribute is due to him for his very meritorious performance.

Of course the task of the Financial Secretary has been rendered somewhat easier because in essence he has to deal with what in spite of the handicaps and obstacles of these times might be described as a prosperity Budget. I now propose to say a few words, not by way of repeating what has fallen from the Financial Secretary, but for the purpose of filling some blanks and for enunciating the policy of Government for the coming year in regard to certain Development Departments. Let me here and now remind these Houses of the Legislature that this is going to be the tenth year after the accession of His Highness the Maharaja to his historic Throne, and it is appropriate to cast our minds on the past and project our minds into the future. My observation will I hope be of some assistance to the Members of the Legislature in doing so. It has been my good fortune to have served our great Sovereign from the date of his accession, for five years as Constitutional Adviser, with certain interruptions permitted and sanctioned by the Maharaja during the periods I was working in Simla as Member successively in charge of Law and Commerce and also subject to an interval when I had the honour to represent India at the Joint Parliamentary Committee and the World Economic Conference. Subject to these breaks, I have been fully acquainted with the progress of this State during all these years and from 1936 I have been responsible for the general and financial policy as Dewan.

Both when I was Adviser and when I assumed the reins of the present office, I received a mandate from the Maharaja. That mandate was to see that the revenues of the State were not only carefully husbanded, but that having regard to the tremendous populousness of the country it has become necessary that our food resources should be multiplied and that we should earn in industry and trade, enough to feed ourselves and maintain fairly high standards. Here I may point out that we are nearly six million people in an area which is one-fourth that of Mysore, a State which is not very much more populous than ours. In our area of about 7600 square miles, about 2000 to 3000 square miles are taken up by hills, which, however valuable as a potential source of wealth, are not easily habitable under present conditions,

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though science may solve this problem also. Not a small part of the rest of the territory is taken up by back-waters and streams and lakes leaving a residuary extent of about 4500 sq. miles at the most, open to cultivation and development. In this area of 4500 sq. miles a population of nearly six millions—who knows what the next census might disclose—have to live and move and have their being. Unless therefore new methods of cultivation are devised and new sources are tapped, and unless a process of active and immediate industrialisation is started enabling this country to make enough to buy its food, there is very little hope for the future. His Highness the Maharaja is fully conscious of it and he has charged me with the task of finding a solution of this difficult problem. This Budget reveals the extent to which that task has been attempted and to which the ideals of our Maharaja have been sought to be translated into action.

Before I proceed to discuss the re-orientation of policy, both agricultural and industrial, which it is the ideal and the aspiration of His Highness to inaugurate and implement, there is an outstanding matter on which I cannot but speak at the outset. And that is the position in which not only the State but India, and not only India but the whole world finds itself today.

I am referring to the War. As the Financial Secretary's speech has indicated, the war has affected us profoundly and in some respects it has affected or can affect many other units of the Indian Empire. We are more or less in the same condition as England, unable to produce all our food, depending on imports for our daily sustenance and able to make both ends meet only by a lively commerce between this country and other countries. We are dependent to a very great extent indeed upon our imports and exports. And therefore the finances of Travancore are dependent on world prosperity and world economy. They are dependent upon the extent to which other countries can buy our produce and it must be remembered in this connection that our produce cannot be said to relate entirely to what may be called the bare necessities of life. Tea, rubber—rubber perhaps is a necessity today—cardamom, spices, these are articles regarding which the market will fluctuate according to the purchasing power of the people of the world. And in regard to another matter which may be treated as a necessity in ordinary times, the position is very serious. This country depends to no small extent upon the cocoanut palm. Copra and coir products form a material portion of our produce and our trade. Such products used to find a market in France, in Belgium, in Holland, in Germany, in Italy and also in the United States and in England. Many of these markets have vanished. I am however glad in this connection to be able to say that owing to representations made by this Government to the Government of India, there are some hopes that the mission which is now proceeding from the British Government to the United States for the purpose of re-habilitating Indian trade in the United States may be

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charged also with the incidental mission of bringing our necessities to the notice of that great Government, so that what we have lost in the markets of France, of Germany and of Holland may perhaps be made good by the purchases of a country which is today financially the most prosperous country in the world.

There is one matter in this connection which I must bring to the notice of the honourable House. When we are trying to improve our markets in the United States of America, we heard rumours that the United States were contemplating an increase of import duties on coir mats and matting. The little chance that is possible in the United States may be lost to us if such an enhancement takes place, and it will be the attempt and hope of this Government that the United States may be persuaded not to take such a step at this juncture.

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But let us not pin all our hopes on the demand from the U. S. A. The United States have got the Philippines which also produce cocoanut palm and which also experience economic stringency. It may be that for that reason we might not succeed as well as we might otherwise do. The result therefore is that the war has brought us face to face with a difficult position so far as our economic maintenance is concerned. And we are driven to seek Indian markets and the continental markets of Asia for our products. Very little has been done in that direction. But I can tell the honourable members of the Legislature that it is the aim and the policy of our Government to push forward with all the energy possible for the purpose of advancing sales of these commodities. For this purpose I made an offer sometime ago and I repeat the offer here and through the Legislature to the people of Travancore. I call upon the Chambers of Commerce here, I call upon the organisers of industries, I call upon the capitalists of the State to come together and put forth an organised effort to save the situation. Let them form syndicates or companies for the purpose of pushing our own products all over India. Let them appoint their own trade agents. Let them pay handsome commissions. Let them sell their products to the best advantage. A great deal can be done in that way. Very few of us know anything about the comparative merits of Pears' soap and other soaps. But there are big placards advocating the purchase of Pears' soap, pictures and neon signs and other attractive features which make an impressive and almost overwhelming appeal. When a person goes to a shop and asks for soap he remembers these advertisements and instinctively asks for it. Let us profit by such examples. There should be a tremendous advertising campaign throughout India for the purpose of pushing our produce. Government cannot undertake it. They have tried it in the past and they have failed; and naturally failed. What can Governments do in that direction? What can the Chief Secretary or myself do? Mr. Sundararajan, talented as he may be in the matter of figures, if he is asked to

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advertise things, would probably be a great failure. If Government appoint a Trade Agent with a handsome salary, how does it essentially affect him if the sales are insignificant, so long as he gets his salary month after month! The less the sales the less perhaps is the trouble that he has to take. The less demand there is, the more leisure he has. And therefore the appointment of a Government Trade Agent for pushing the sale of these wares is in the main a futility and a waste. For that purpose the only way in which the work can be done is through private agencies dominated by the overmastering human impulse of private gain and private advantage. If such a syndicate is started, if such an organisation is founded, I have given my word—the Government will implement that word—to pay not less than 50 per cent. of the total expenses incurred by such an organisation or syndicate. With that promise I hope it will be possible in the coming year for an organisation to come into being which will not stint money and energy in the way of pushing our goods in all possible places in India and elsewhere. I hope that we shall be able to build up a position for ourselves in spite of the competition of these days and in the stress and strain which is not only an accompaniment of this terrible war but is bound to be an aftermath of this war.

There is another matter in this connection with which I shall have to deal and that is the position of Ceylon *vis a vis* Travancore and India. Travancore produces something over half the total amount of cocoanut products in India. We are therefore, to a certain extent, monopolists in those products. Taking Travancore, British Malabar and Cochin together, I may say that we produce about two-thirds of these products in India. Now we are finding ourselves in the position that Ceylon under-sells us in our own markets in regard to these articles. To a certain extent they are able to do so because the trade of Ceylon is organised by capitalists, whereas the cultivation of the cocoanut and allied products is a cottage industry in Travancore and Malabar and is in the hands of the poorest of the poor. Capital can organise as no poor man can organise. Even given those advantages, it is difficult to see how without resorting to the process called dumping, Ceylon is able to under-sell us in India. It must be recollected that Ceylon levies a heavy import duty on eggs, vegetables and other products that used to go from here, and that the trade in those products has been practically annihilated. This unfair competition from Ceylon is allowed, but we have no real power to retaliate without the support and the concurrence of the Government of India. There is another factor—a large proportion of labour in Ceylon is Travancorean. I do not want to enter into controversial politics now on the position of Indian labour in Ceylon, but it is well known. All that I am asking is, given the worsening position of Travancore labour in Ceylon, given the practical banning of our exports by Ceylon, we should be put as to cocoanut products at least in a position of equality with Ceylon and such preference may be given as will counteract the effects of dumping. That is an appeal which I make and an observation which I think I am entitled to make.

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As regards the War situation I think it is only proper that I should mention that on the day the war broke out, His Highness the Maharaja promised to place the whole resources of the State at the disposal of His Majesty's Government. This was not done in a conventional sense, it was not with a view to any personal advantage, not with a view to any *quid pro quo*, but because loyalty arising from mutual friendship and the pledged word is an essential Indian virtue, is an essential feature of Indian character. In pursuance of that offer arrangements have been made to provide a trawler and minesweeper which will be named H. M. S. "Travancore" for the purpose of guarding these seas and for dealing with the submarine menace. I believe it will soon come into being and be a perpetual reminder of the manner in which Travancore has risen to the occasion and of the manner in which we have tried to do our bit in this terrible struggle. In addition, as honourable members already know, he has offered a plane for war service. The Travancore Government have also agreed to take steps for training technicians for industrial purposes, to train young men to help His Majesty's Government in the manufacture of munitions to the extent to which such manufacture is possible in the State. The Travancore University has also offered to take in those students whose studies may be interrupted in England and who might come here to continue their studies. The period spent by Indian students in English Universities will be recognised for purposes of completing degree courses here. This is only a small part of what has been done or what has to be done.

His Highness has also offered one battalion of the State Forces and we may have to raise another and another and yet another battalion not only for the purpose of fighting the enemy outside, but for internal security. In these discussions about war, it is not often remembered, as it should be remembered, that the difficulty with regard to India may not only be with enemies outside but also with those subversive, destructive, and disintegrating elements within our own boundaries who may try to take advantage of a loosening of authority for the purpose of starting their nefarious enterprises. In regarding this as a probability, I may be a false prophet and I hope I shall be one. I do not wish to figure as an alarmist; I am not speaking merely with a view to raise imaginary terrors. I know and I speak with authority and knowledge when I say so, that disruptive elements are present in this country and are functioning virulently and are actively financed from outside. I need only refer honourable members to the speech of the Punjab Premier sometime ago and may add that next to the Punjab, U. P. and Bengal, the dangers of communist activity are most in evidence here. Such people are also working in British Malabar and in our sister State of Cochin where a number of Travancore agitators are residing and are in close communication with the violent communist elements there and elsewhere. They are working for their own dangerous purposes and if they give trouble it may be very necessary for us to be well armed. It may be that if we are well armed and well protected and if our

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Army, our Police and our young men who will undoubtedly go into the Civic Guards and the Territorial Forces of the future and who are full of patriotism of the right type, are made efficient for service, this danger will pass. But the danger *is* there and it is necessary to provide for it—provide for it psychologically—yes; morally, yes and also financially; and that is the reason for the provision of ten lakhs referred to in the speech of the Financial Secretary when he said that it is necessary to make an extra provision for the purpose of the war and the difficulties connected with it.

One bye-product of the war is the immediate throwing out of employment of some 25,000 workers in Alleppey, Shertala, Quilon and other places. I have been told that the fate of nearly half a million people is involved in this present situation. But immediately we have to deal with the question of 25,000 workers who till yesterday were employed in the coir and allied industries and who today are in a state of starvation. His Highness, with his characteristic generosity, has authorised me in this connection to alleviate the position; firstly until work is arranged for and can be given to them, to relieve their distress by grant of rice. We have put ourselves in contact with the organised employers of labour. We have told them that they may distribute rice to those who have been employed in work and are now thrown out of employment and that we shall pay 50 per cent. of the rice which they give. This grant has been started. In the case of small employers, that process will be difficult and for that purpose representatives of organised labour, of the employing classes, the local Magistrates, the officials in the Police Department, have been grouped together as a kind of committee for the purpose of extending relief. This is not all. This relief can be only temporary. Giving small doles of rice cannot be kept up for ever and it is not the right thing to do, because it robs the people of initiative and self-respect. Therefore the second and main idea of Government is to start public works on a large scale in and around Alleppey and other affected places. It must be noted that, whatever the commercial importance of Alleppey may be, whatever the possibilities of Alleppey may be, at present it is a swampy and insalubrious place. Government consider that the swamps should be filled in, as far as possible, by employing manual labour and, that the opening of new canals and roads and improvement of the old ones should be started immediately. The Public Works Department has been already entrusted with the duty of bringing this into effect as early as possible and I wish the Chief Engineer godspeed in his endeavours. A Distress Relief Fund of 5 lakhs has been set apart for these activities. The sooner the Chief Engineer formulates and initiates this scheme, the sooner will the system of doles be replaced by fruitful work helpful to the morale of the labourers. I am glad to say, in this connection, that the concreting of the 50-mile road between here and Cape Comorin has served the useful purpose of employing large groups of labour, and the construction of the Public Offices also has alleviated to a certain extent the condition of the poor people at this moment.

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One product of the cocoanut palm has however come to its own and that is the shell from which a very useful kind of charcoal is produced and which is valuable during war and is likely to continue to be useful even thereafter. This Government have been helping in the large scale production and supply of this charcoal for war purposes and this industry has promise of a bright future, especially as the shell till now has been thrown away or used as a second-rate kind of fuel.

One of the reactions of the war was the attempt at profiteering. Soon after the news spread that war broke out, there was an attempt indiscriminately to raise the prices of articles and artificially to inflate them. Government could have followed a policy of *laissez faire*. But they decided otherwise. They purchased rice from Burma for about 15 to 16 lakhs. They sold it at low rates and succeeded in keeping down the price. Government have lost some money over it. That amount will come to the neighbourhood of rupees fifty thousand to 1 lakh. But if we lose not one lakh but even rupees 3 or 4 lakhs, that loss was well worth incurring, because we stabilised the price of rice and paddy here. The same thing cannot be said of other commodities such as petrol and of kerosene oil over which we have no control. I have so far dealt with the war and the direct reactions of the war. Let me conclude my remarks in this connection by saying, and I say it not in a carping or controversial spirit but as an appeal to everybody, that this is a crisis graver than most people have any conception of. It is a crisis in which what is under risk is the whole of what matters in our life and in our ideals. We here especially in Travancore have become so " educated " in the western mode and so thoroughly imbued with the ideas and ideals of that great power with whom our fortunes have been associated that we are probably more likely to be losers by any major catastrophe than in most other parts of India. Very few people who talk light-heartedly of the present juncture realise that, notwithstanding our own grouses and our occasional differences with the British Government, India cannot possibly reconcile herself to the hegemony of any of the other Powers now contending for mastery. Hence it must be borne in mind that unless we rise to the occasion, the risks, the losses—the psychological and moral as well as the physical losses—are so great and incalculable that the situation must be fully faced and dealt with finally and adequately.

In this connection is it too much to tell the advocates for complete independence of India, an independence which if granted today will not be worth five minutes' purchase, an independence demanded by people advocating the idea of lying on the road and allowing the enemy to trample upon us, that such philosophy will not be conducive to our interests or our future evolution. However I feel quite confident that the members of the Travancore Legislature and the people of Travancore will have no patience with these philosophies and these ideologies, but will proceed with their work with a stout heart and with a continuous, firm and creative policy.

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[President.]

Now, honourable members of the Legislature, faced with such problems, it is necessary for us to deal with the question of our revenue and expenditure in the light of the issues raised. We are a poor people here. Very many people do not appreciate how poor we are. Travancore is a country which, to distinguished visitors, appears to be a land of smiling plenty. One very eminent visitor has remarked that there does not seem to exist any interval between house and house, that this country is a country of gardens and garden houses. Yes, that is so. But that land of garden houses is a land in which each man has one-fourth of an acre or half an acre or one acre to bless himself with and therefore the position is that whereas there is no destitution in this country, whereas there is no famine in this country, there is no capital either. Perhaps that is an advantage. But when we are dealing with a practical financial programme, philosophical disquisitions on the advantages of having just enough to live upon are not much of a consolation. Thus it is necessary for me to emphasise this aspect of the matter, *viz.*, that Travancore is a land of the upper and lower middle classes. Ours is not a land of prosperous financiers. Our taxation programme, our financial policy has to be adapted to the conditions existing in this country. What is the canon of taxation for such a people? We may in this connection profitably go back for nearly 2,000 years. I was the other day reading Kautilya's *Arthasastra* and Sukra's *Nitisara*. One of the points Kautilya emphasises is the maxim of the "inconspicuousness" of taxation. That is, the man who was to pay the tax should not obviously feel the pinch of it and Kautilya has stated that amongst the best specimens are the taxes on oil, ghee, salt and mining and such other sources which are today the backbone of our fiscal system. According to Sukra's *Nitisara*, it may be noticed that military expenditure was fixed at about 20 to 30 per cent. and the cost of administration at 12 per cent.

Emphasis was laid on "non-tax" receipts and on State undertakings as likely and useful sources of legitimate revenue. It is marvellous that so many centuries ago it was stated that one of the best methods of inconspicuous taxation was to resort to some State undertakings. The State Transport system, the Ceramic Factory and the Electrical Scheme, have the authentic imprimatur of Kautilya and Sukra, as all these schemes deal with primal necessities and are bound to bring in revenue without inducing a sense of oppressiveness. There is a further observation that I may be permitted to make. Dealing with the question of the object of taxation, it was stated that the development of the State's ultimate resources is the function of Government and should be kept in view by the taxing authority. In very picturesque and strong terms, this is what Kautilya said :

समुदायिकेष्ववक्लृप्तिकं
व्ययमुपहत्य राजाऽनुतप्येत

The Raja will suffer who does not concentrate upon expenditure which may be characterised as productive. These are the principles

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